

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED

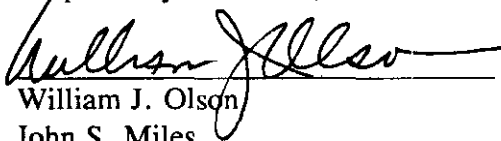
POSTAL RATE AND FEE CHANGES, 1997)

JAN 23 3 51 PM '98
Docket No. R97-1

NASHUA PHOTO INC., DISTRICT PHOTO INC.,
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC.
FIRST INTERROGATORY AND REQUEST FOR PRODUCTION
OF DOCUMENTS TO UNITED PARCEL SERVICE
WITNESS J. STEPHEN HENDERSON (NDMS/UPS-T3-1-9)
(January 28, 1998)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle FilmWorks, Inc., proceeding jointly herein, hereby submit the following interrogatories and document production requests. If necessary, please redirect any interrogatory and/or request to a more appropriate United Parcel Service witness.

Respectfully submitted,



William J. Olson

John S. Miles

Alan Woll

John F. Callender, Jr.

William J. Olson, P.C.

8180 Greensboro Drive, Suite 1070

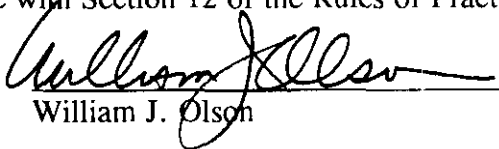
McLean, Virginia 22102-3823

(703) 356-5070

Counsel for Nashua Photo Inc., District Photo Inc.,
Mystic Color Lab, and Seattle FilmWorks, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



William J. Olson

January 28, 1998

NDMS/UPS-T3-1.

Please refer to page 25, line 9 of your testimony, where you show your proposed average Priority Mail rate (\$4.66), percent increase over current rates (32 percent), and cost coverage for Priority Mail (193.1 percent). Please confirm that UPS' proposed cost coverage for Priority Mail based on (i) UPS' proposed 32 percent rate increase for Priority Mail, and (ii) the projected test year costs set out in the Postal Service's proposal, would be 227 percent. If you do not confirm, please explain why, what the cost coverage would be, and how you derived it.

NDMS/UPS-T3-2.

Please refer to page 20, line 8 through page 22, line 9 of your testimony discussing the 39 U.S.C. §3622(b) factors to determine your proposed cost coverage for Priority Mail.

- a. Please describe how much weight you have given to criterion §3622(b)(4), specifically regarding the effect of a 32 percent increase in Priority Mail rates on the general public and business mailers.
- b. Is it your position that a 32 percent increase in a subclass' rates would not constitute "rate shock" in this docket?
- c. What is the largest single rate increase ever imposed by UPS on its customers?

NDMS/UPS-T3-3.

On page 22, lines 1 through 3 you state: "The only aspect of Priority Mail that Dr. O'Hara believes is less favorable than First-Class letters is Priority Mail's higher elasticity of demand.

However, in light of Priority Mail's growth rate, this difference does not seem significant."

Do you believe that, because of Priority Mail's growth rate, it is not relevant to compare Priority Mail's elasticity of demand with that of First-Class Mail? Please explain.

NDMS/UPS-T3-4.

For purposes of determining coverage levels for both First-Class Mail and Priority Mail, please explain how, for both products, you would compare the following factors:

- a. delivery standards; and
- b. actual performance.

NDMS/UPS-T3-5.

Please compare and contrast (i) Priority Mail with (ii) UPS Second-Day Air, and with (iii) UPS Three-Day Select, with respect to the following factors:

- a. delivery standards/guaranteed delivery;
- b. actual performance;
- c. tracking/delivery confirmation;
- d. included insurance;
- e. billing and payment options; and
- f. volume discounts and negotiated prices.

NDMS/UPS-T3-6.

What percentage of (i) UPS Second-Day Air is delivered within two days, and (ii) UPS Three-Day Select is delivered within three days? Please provide data for all available Postal Quarters starting with PQ1, 1995.

NDMS/UPS-T3-7.

How much does UPS charge for (i) manual tracking/delivery confirmation and (ii) electronic tracking/delivery confirmation for its Second-Day Air and Three-Day Select products? Please include the effects of volume discounts and negotiated prices in your answer.

NDMS/UPS-T3-8.

- a. Please provide current published rate schedules (not including negotiated discounts) for (i) UPS Second-Day Air and (ii) UPS Three-Day Select.
- b. Please state the percentage of (i) UPS Second-Day Air and (ii) UPS Three-Day Select for which UPS charges prices below published prices.
- c. Please state the range of discounts from published prices offered to customers of (i) UPS Second-Day Air and (ii) UPS Three-Day Select.
- d. For the most recent Fiscal Year available, please provide the average rate actually paid by customers for each rate cell (including negotiated price and volume discounts) in (i) UPS Second-Day Air and (ii) UPS Three-Day Select.

NDMS/UPS-T3-9.

Please identify any shape-based discounts or surcharges, either published or negotiated, in the rates for (i) UPS Second-Day Air and (ii) UPS Three-Day Select.